
HLABISA MUNICIPALITY

ANNUAL BUDGET

2014/2015 TO 2016/2017

MEDIUM TERM REVENUE AND EXPENDITURE FORECASTS

PURPOSE

To seek Council approval in terms of section 24 of the Municipal Finance Management Act No. 56 of 2003, for the 2014/15 MTREF.

PART 1

1.1 MAYOR'S REPORT

His worship the Mayor started his speech by emphasizing the importance of sticking to the Vision and Mission of Hlabisa Municipality as these are the keys in uplifting the lives of our local community.

Vision

"A prosperous and sustainable municipality ensuring the provision of basic services, skills, quality life and economic opportunities"

Mission Statement

- Exploring and exploiting natural resources and opportunities that we have,
- Through cooperative and collaborative working relations with all stakeholders, and
- Eradicating the vicious cycles of poverty, unemployment and other social ills.
- By enhancing our systems and processes to promote good governance,
- By upholding BATHO PELE Principles

Although our municipality is located in a rural place that is mostly harmed by high rate of unemployment, Illiteracy and other negative factors that hinder progress and service delivery to the local community. Hlabisa Local Municipality intend to do more with the available resources in order to enhance service delivery that aims at improving the quality of life for all people within it geographical area, Draft Budgeting is essential about choices that the municipality has to make between competing priorities and fiscal realities. As Hlabisa Municipality we need to remain focused on the effective and efficient delivery of core municipal services. The application of sound financial management principles is crucial to ensure that the municipality remains financial viable, and that sustainable municipal services are provided to the community at large.

In support to our objective of improving peoples life's through service delivery with the usage of available resources, the municipality has considered the following Turnaround strategies:

- Good corporate governance
- Transformation of infrastructure
- Financial viability and sustainability
- Management change and organisational review

A detailed delivery agreement has been developed to extend targets and responsibilities to National and Provincial departments, Hlabisa Local Municipality's financial plan must take into account some outcomes when developing its budget. It is of vital importance that the municipality must perform the following:

- Improve municipal financial and administrative capacity by implementing competency norms and standards.
- Ensure that capital budgets are appropriately prioritised and fully involved in community consultation process around IDP, Budget and other related service delivery issues.
- Review the municipal expenditures to eliminate fruitless and wasteful expenditures.
- Ensure effective maintenance and rehabilitation of infrastructure.
- Ensure effective spending of grants for funding extension.

1.2 Council Resolutions

On the 03rd of July 2014 the Council of Hlabisa Local Municipality met in the Council Chamber of Hlabisa Local Municipality to consider the draft budget of the municipality for the financial year 2014/2015. The Council approved the following resolutions:

The Council of Hlabisa Local Municipality, acting in terms of section 24 of the Municipal Finance Management Act, (Act 56 of 2003) approves and adopts:

- 1.2.1 The annual budget of Hlabisa Local Municipality for the financial year 2014/2015 , the multi year and single year capital appropriations as set out in the following tables:
- 1.2.2 Budgeted Financial performance (revenue and capital expenditure by standard classification) as contained in table A2 of the 2014/2015 final budget.
- 1.2.3 Budgeted Financial Performance (revenue and expenditure by municipal vote) as contained in table A3 of the 2014/2015 final budget.
- 1.2.4 Budgeted Financial Performance (revenue by source and expenditure by types) as contained in table A4 of the 2014/2015 final budget.
- 1.2.5 Multi-year and single-year capital appropriations by municipal vote and standard classification and associated funding by source as contained in Table A5 of the 2014/2015 final budget.
- 1.2.2 The financial position, cash flow budget, cash-backed reserve/accumulated surplus, asset management and basic service delivery targets are approved as set out in the following tables:
- 1.2.3 Budgeted Financial Position as contained in Table A6 of the 2014/2015 final budget.
- 1.2..4 Budgeted Cash Flows as contained in Table A7 of the 2014/2015 final budget.
- 1.2.5 Cash backed reserves and accumulated surplus reconciliation as contained in Table A8 of the 2014/2015 final budget
- 1.2.6 Asset management as contained in Table A9 and of the 2014/2015 final budget and
- 1.2.7 Basic service delivery measurement as contained in Table A10 of the 2014/2015 final budget.

The Council of Hlabisa Local Municipality, acting in terms of section 75A of the Local Government: Municipal Systems Act (Act 32 of 2000) approves and adopts:

The tariffs for property rates and tariffs for other services – as set out in supporting table SA13.

1.3 EXECUTIVE SUMMARY

In terms of chapter 4, section 16 of the Municipal Finance Management Act (MFMA), no 56 Of 2003, the Draft operational and capital budget must be tabled by the Mayor at a council meeting 90 days before the start of the budget year.

The draft budget is set out under the following headings:

- Operational budgets
- Budget assumptions
- Capital budget
- Proposed tariff structures
- Measurable performance objectives for revenue

- Service agreements
- New budget regulations
- Budget related policies
- Public input
- Publication of budgets
- Draft resolutions

National Treasury's MFMA Circular No. 70 and 72 were used to guide the compilation of the 2014/15 MTREF.

The following budget principles and guidelines directly informed the compilation of the 2014/15 MTREF:

- The 2013/14 Adjustments Budget priorities and targets, as well as the base line allocations contained in that Adjustments Budget were adopted as the upper limits for the new baselines for the 2014/15 budget;
- Intermediate service level standards were used to inform the measurable objectives, targets and backlog eradication goals;
- Tariff and property rate increases should be affordable and should generally not exceed inflation as measured by the CPI, except where there are price increases in the inputs of services that are beyond the control of the municipality, for instance the cost of bulk water and electricity. In addition, tariffs need to remain or move towards being cost reflective, and should take into account the need to address infrastructure backlogs;

Overview of Budget Related Policies

This section gives a broad overview of the budget policy framework and highlights the policies to be approved by Council by 30 June 2014

NAME OF POLICY	DATE OF FINAL APPROVAL
Property Rates Policy	03 July 2014
Tariff Policy	03 July 2014
Cash and Investment Policy	03 July 2014
Credit Control & Debt Collection Policy	03 July 2014
Budget Policy	03 July 2014
Budget virement Policy	03 July 2014
Supply Chain Management Policy	03 July 2014
Asset Management Policy	03 July 2014
Indigent Support Policy	03 July 2014

Tariffs for 2014/205 are as follows after they have been adopted by council on the 3rd of July 2014

Property Rates

- | | | |
|----|------------------------|-----------|
| 1. | Residential properties | 0.012285 |
| 2. | Business Properties | 0.015225 |
| 3. | Specialized Properties | 0.0029925 |

Refuse Removal

- | | | |
|----|------------------------|----------------|
| 1. | Residential Properties | R 120 pm Fixed |
| 2. | Businesses | R 150 pm Fixed |
| 3. | Government Properties | R 150 pm Fixed |

Overview of budget funding Consolidated

The total operating revenue reduced by R3 368 million for the 2014/2015 financial year when compared to the 2013/2014 Adjustment Budget. Equitable Share increased from R30 174 million to R37 118 million. Conditional grants allocation for 2014/2015 has decreased to R26 586 million when compared to the 2013/2014 Adjustment budget allocation of R34 750 million. The total operating expenditure for 2014/2015 financial year has been appropriated at R55 516 million when compared to the 2013/2014 adjustment budget of R55 727 million.

Table1 Consolidated Overview of the 2014/15 MTREF

R thousand	Adjustment Budget 2013/14	Budget Year 2014/15	Budget Year 2015/16	Budget Year 2016/17
Total Operating Revenue	58,784,102	56,116,321	69,543,111	71,058,000
Total Operating Expenditure	55,643,111	55,516,000	74,123,000	75,806,101
(Surplus)/Deficit for the year	(3,140,991)	(600,321)	4,579,889	4,748,101
Total Capital Expenditure	15,194,452	14,540,000	21,114,000	21,784,000

Total operating revenue has decreased R2, 6m for the 2014/15 financial year compared to the 2013/14 Adjustment Budget. For the two outer years , operational revenue will increase by 23 and 10 per cent, equating to a total revenue growth of R12,2m over the MTREF when compared to the 2013/14 financial year.

Total operating Expenditure for the 2014/15 financial year has been appropriated at R55,5m and translates into a budgeted surplus of R600,321 thousand when compared to the 2013/14 Adjustment Budget operating expenditure has grown by 9 per cent in the 2014/15 budget and decrease by 33 and 2 per for the outer years of the MTREF. The operating operating surplus for the two outer years steadily increases to R9, 8m and then stabilise at R10,1m.

The Capital budget of R14,5m for 2014/15 is 4 per cent less when compared to the 2013/14 Adjustment Budget. The reduction is because in the adjustment budget internal generated funds were high because of conditional grants roll over so internal generated funds for 2014/15 has been reduced as we are depending on grants so as a result capital expenditure amount for 2014/15 is low compared to 2013/14 adjustment budget as it has been reduced by 4 per cent.

1.4 OPERATING REVENUE FRAMEWORK

The operating budget summary provides information on both income activities in line with the approved budget and the proposed adjustment budget for the year under- review and the following will be discussed:

The municipality's revenue strategy is built around the following key components:

- National Treasury's guidelines and macroeconomic policy
- Efficiency revenue management, which ensures annual collection rate for property rates and other key service charges
- The municipality's Indigent Policy and Rendering of free basic Services

Table 2 Summary of revenue classified by main revenue source

Description	Ref	2010/11	2011/12	2012/13	Current Year 2013/14				2014/15 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
Revenue By Source											
Property rates	2	420	129	41	300	403	403	403	1,086	1,108	1,130
Property rates - penalties & collection charges		420	129	41	120	-	-	-	-	-	-
Service charges - electricity revenue	2	-	-	-	-	-	-	-	-	-	-
Service charges - water revenue	2	-	-	-	-	-	-	-	-	-	-
Service charges - sanitation revenue	2	-	-	-	-	-	-	-	-	-	-
Service charges - refuse revenue	2	660	259	345	289	21	21	21	43	45	48
Service charges - other		660	-	-	-	-	-	-	-	-	-
Rental of facilities and equipment		192	207	311	317	258	258	258	339	237	261
Interest earned - external investments		895	852	577	450	501	501	501	360	372	384
Interest earned - outstanding debtors		-	-	-	30	359	359	359	32	33	36
Dividends received		-	-	-	-	-	-	-	-	-	-
Fines		6,283	1,623	545	2,914	80	80	80	200	240	300
Licences and permits		275	282	176	2,364	539	539	539	2,051	2,405	2,549
Agency services		-	-	-	-	-	-	-	-	-	-
Transfers recognised - operational		67,068	65,595	48,634	44,260	44,260	44,260	44,260	49,802	64,896	66,144
Other revenue	2	276	1,010	172	1,562	6,563	6,563	6,563	53	57	57
Gains on disposal of PPE		-	-	-	-	5,800	5,800	5,800	2,150	150	150
Total Revenue (excluding capital transfers and contributions)		77,150	70,085	50,842	52,607	58,784	58,784	58,784	56,116	69,543	71,058

1.3.1 Property rates

This refers to property rates income that the municipality collects as budgeted. The annual budget for property rates amounted to R1, 085 997. The 37 percent increase in the 2014/2015 when compared to the adjustment budget amount of R402 808 is because of the tariff increase in property rates charges. What also increased the anticipated revenue on property rates is the changes of market values of properties as per the new valuation roll to be implemented in July 2014. The review of the Property Rates Policy also contributed to the increase in the property rates revenue for 2014/2015 financial year as well as the two outer years because the policy only allows for the R15 000 rebate on residential properties which is according to the MPRA provisions than compared to the 2013/2014 Property Rates Policy which was allowing R55 000 rebate.

1.3.3 Service Charges

This refers only to refuse removal income that the municipality collects as budgeted. The annual budget for service charges amounted to R42 840.00 for 2014/2015 when compared to R20 785 for 2013/2014 financial year. This increase is due to additional collection points identified for 2014/2015 financial year as well as the increase in refuse collection tariff

1.3.4 Rental of Facilities and Equipment

This refers to the rental and hiring of municipal facilities, the municipality budgeted R339 000. The reason for this increase is due to other facilities the municipality intends to rent out or hire to public like sports fields, public parks, community halls and other office space to be rented out. The tariff for these facilities is included in the tariffs that have been approved by council for 2014/2015 financial year.

1.3.5 Interest Earned

This refers to the combination of monies invested by the municipality as well as its entity in various financial institutions both on call and fixed investments deposit accounts as well as interest on outstanding debtors.

1.3.5.1 External Investments

The budget for investment revenue is R360 000. The municipality will invest all monies not yet used and only withdraw those funds when they are to be used. This budget also includes grant funding received in the prior years that is invested since 2005 from Department of Human Settlements.

1.3.5.2 Outstanding Debtors

The anticipated interest for late payment of debtors account is R32 000 for 2014/2015 financial year. It will increase by 5 per cent in the two outer years.

1.3.6 Licences and Permits

The budget for Licences and Permits is R2,051m in 2014/2015 financial year, this amount has increased from R539 000 of the 2013/2014 adjustment budget. The increase is based on the upgrade of the Hlabisa Testing station from Grade F to Grade B. This upgrade allows the municipality to perform Drivers Licence testing for all codes with the exception of Motor bikes. This upgrade will boost the revenue generation in the traffic section because in the previous financial years the municipality was only allowed to do renewals of drivers licences and Learners license testing.

1.3.7 Traffic Fine

The budget for traffic fines is R200 000.00 for 2014/2015, the reason this increase when compared to the 2013/2014 adjustment budget of R80 000 is based on the target of Traffic Officers who will be implementing law enforcement within the jurisdiction of Hlabisa Municipality. The increase of staff in the Traffic section has contributed to the increase of revenue to be generated within this section

1.3.8 Transfers Recognised- operational

This refers to operating grants gazetted during the year under-review by both National and Provincial Treasuries. The approved budget for these is R 49 802m which includes National Electrification Programme, Sports and Recreation, FMG, MSIG, Library Subsidy and EPWP Incentives Grant and Equitable Share allocation.

1.3.8.1 Transfers Recognised- Capital

This refers to Capital grants gazetted during the year under-review by National Treasury amounted to R13 902 000 for MIG projects

1.3.9 Other Own Revenue

Included on other own revenue are Bill Boards income, Sundry income, telephone costs recovered and sale of bid document etc. For this revenue source, an amount of R53 000 was approved.

-Gains on disposal of PPE

The amount of sale of sites R2 150m was allocated on gain on disposal of PPE, the municipality anticipate to sell these sites at market value. The process of disposal of these sites or asset is through open tender process where we accept the highest bidder offer as long as it is not less than the market value of the site in terms of the valuation roll figures.

Table 3 Operating Transfers and Grants Receipts

Description	Ref	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
R thousand										
RECEIPTS:	1, 2									
Operating Transfers and Grants										
National Government:		-	37,856	36,606	43,355	43,355	43,355	48,852	64,048	65,251
Local Government Equitable Share			37,856	22,306	30,174	30,174	30,174	37,118	49,131	50,132
Finance Management				1,500	1,650	1,650	1,650	1,800	1,950	2,100
Municipal Systems Improvement				800	890	890	890	934	967	1,019
Integrated National Electrification Programme				12,000	9,000	9,000	9,000	8,000	12,000	12,000
EPWP Incentive				-	1,000	1,000	1,000	1,000	-	-
Municipal Systems Improvement										
PMU FEES					641	641	641			
Provincial Government:		-	-	1,513	905	905	905	950	848	893
Sport and Recreation				675				150	-	-
				-				-	-	-
Provincialisation of Libraries				838	766	766	766	800	848	893
Community Library Services					139	139	139	-	-	-
PMU FEES				-				-	-	-
District Municipality:		-	-	-	-	-	-	-	-	-
[insert description]								-	-	-
Other grant providers:		-	-	-	-	-	-	-	-	-
[insert description]										
Total Operating Transfers and Grants	5	-	37,856	38,119	44,260	44,260	44,260	49,802	64,896	66,144
Capital Transfers and Grants										
National Government:		-	-	11,915	12,188	13,913	13,913	13,902	14,441	14,897
Municipal Infrastructure Grant (MIG)				11,915	12,188	13,913	13,913	13,902	14,441	14,897
Other capital transfers/grants [insert desc]										
Provincial Government:		-	-	-	-	-	-	-	-	-
Other capital transfers/grants [insert description]										
District Municipality:		-	-	-	-	-	-	-	-	-
[insert description]										
Other grant providers:		-	-	-	-	-	-	-	-	-
[insert description]										
Total Capital Transfers and Grants	5	-	-	11,915	12,188	13,913	13,913	13,902	14,441	14,897
TOTAL RECEIPTS OF TRANSFERS & GRANTS		-	37,856	50,034	56,448	58,173	58,173	63,704	79,337	81,041

References

The above table shows the receipts of Grants funded by both National Government and Provincial Government

1.5 OPERATING EXPENDITURE FRAMEWORK

Table 4 Summary of operating expenditure by standard classification item

KZN274 Hlabisa - Table A4 Budgeted Financial Performance (revenue and expenditure)

KZNV274 Mladisa - Table A4 Budgeted Financial Performance (revenue and expenditure)

Description	Ref	2010/11	2011/12	2012/13	Current Year 2013/14				2014/15 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
R thousand	1										
Expenditure By Type											
Employee related costs	2	14,061	13,675	16,513	21,302	18,501	18,501	18,501	25,343	26,894	28,620
Remuneration of councillors		(6,885)	3,642	3,756	4,756	4,756	4,756	4,756	5,307	5,684	5,957
Debt impairment	3	(89)	15	756	(324)	310	310	310	310	326	342
Depreciation & asset impairment	2	2,598	2,632	3,056	3,000	3,000	3,000	3,000	3,150	3,308	3,473
Finance charges		(91)	324	275	-	200	200	200	51	53	66
Bulk purchases	2	-	-	-	-	-	-	-	-	-	-
Other materials	8	-	541	775	30	650	650	650	1,150	1,049	1,099
Contracted services		2,632	708	1,074	890	2,837	2,837	2,837	1,402	14,404	13,228
Transfers and grants		-	694	9,610	9,250	15,395	15,395	15,395	8,500	12,600	12,700
Other expenditure	4, 5	15,575	41,758	15,033	9,887	10,079	10,079	10,079	10,304	9,807	10,319
Loss on disposal of PPE		-	-	-	-	-	-	-	-	-	-
Total Expenditure		27,801	63,988	50,847	48,791	55,727	55,727	55,727	55,516	74,123	75,806

1.3.10 Employee Related Costs

This refers to the salaries and benefits paid to employees. An amount of R25, 613m is budgeted in the 2014/2015 financial year when compared to the amount of R18 501m of 2013/2014 Adjustment budget. The increase of 37 per cent on employee related costs was because in the adjustment budget there were 10 positions budgeted of which 4 were Section Managers position. Their budget was limited to 4 months with limited benefits for 4 months before the end of the financial year. Other positions were vacant for 5 months and the employees were employed in December 2013 and in the adjustment budget those positions were budgeted for 7 months only including their benefits. In the 2014/2015 financial year the above positions have been budgeted for 12 months and their benefits are budgeted for 12 months. In the 2014/2015 financial year budget new Senior Manager position has been budgeted for 2014/2015 financial year. An increase of salaries of 6.80 percent also contributed to the 37per cent increase in employee related costs

1.3.11 Remuneration of Councillors

An amount of R 5 307m for councillors allowances and benefits is budgeted for in the 2014/2015 financial year when compared with the 2013/2014 financial year budget of R4 755 638. This budget is in line with the councillors upper limits gazetted by minister for category 1 municipality

1.3.12 Dept Impairment

This refers to the provision of debt impairment for 2014/2015 which is estimated to be R310 000

1.3.13 Depreciation and Asset Impairment

This refers to the provision of depreciation, amortisation and asset impairment as required by applicable standards that it must be provided for in line with asset management policy. An amount of R 3 150m was approved.

1.3.14 Finance Charges

This refers to charges of machines under finance lease, the approved amount is R220 000 including capital amount and interest, the interest amount is R50 600, and R169 000 is the capital amount.

1.3.15 Other Expenditure

This refers to the other expenditures incurred by the municipality. An amount of R 10 335m is budgeted for in the 2014/2015 financial year when compared to 2013/2014 Adjustment budget of R10 079m. This budget is for general expenses like advertising, printing and stationery, S & T expenses, consultancy fees, audit fees and EPWP programme

1.3.16 Transfers and Grants

This refers to the certain transfers non-cash, which the municipality will receive from National and Provincial Departments as well as indigent support to communities that qualifies to get indigent support. The approved budget is R 8, 5m and is made up by the following:

- An amount of R8m is funded by Department of Energy (National)
- An amount of R500 000 will be funded internal for Indigent support on free basic electricity

1.3.17 Contracted Services

This refers to all contracted services to other parties that provide services on behalf of the municipality. The approved amount was R 1 402m and which is as a result mainly the increase in security expenditure and management contracts in line with existing contracts.

Table 5 Operational repairs and other Materials

Description	Ref	2010/11	2011/12	2012/13	Current Year 2013/14				2014/15 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
R thousand											
Repairs and Maintenance	8										
Employee related costs									197	207	217
Other materials					30	30	30	30	1,150	1,206	1,265
Contracted Services					-	-	-	-	-	-	-
Other Expenditure					710	590	590	590	-	-	-
Total Repairs and Maintenance Expenditure	9	-	-	-	740	620	620	620	1,347	1,413	1,482

This refers to the budget of repairs and maintenance and other materials. The approved budget for other materials of R30 000 and repairs and maintenance R1 120 000. The municipality has added these two items to one item due to the reason that repairs and maintenance are the repairs that are done internally. An amount of R196 000.00 for employees related cost for handy man has been populated on table SA1

1.4 CAPITAL BUDGET

The approved budget for capital budget was R 13, 902m The total of capital budget including internal generated fund is R14, 495m.

1.4.1 Capital Transfers

Vote Description R thousand	Ref	2010/11	2011/12	2012/13	Current Year 2013/14				2014/15 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
Total Capital Expenditure - Vote		14,691	12,412	10,624	13,538	15,334	15,334	15,334	14,540	21,114	21,784
Capital Expenditure - Standard											
<i>Governance and administration</i>		1,396	1,300	150	8,875	506	506	506	250	100	150
Executive and council		-	750	150	8,625	356	356	356	-	-	-
Budget and treasury office		1,396	550	-	250	150	150	150	250	100	150
Corporate services		-	-	-	-	-	-	-	-	-	-
<i>Community and public safety</i>		-	11,102	3,550	4,662	6,603	6,603	6,603	11,052	300	300
Community and social services		-	10,172	2,109	850	850	850	850	8,867	-	-
Sport and recreation		-	-	1,441	3,112	5,553	5,553	5,553	2,085	-	-
Public safety		-	930	-	700	200	200	200	100	300	300
Housing		-	-	-	-	-	-	-	-	-	-
Health		-	-	-	-	-	-	-	-	-	-
<i>Economic and environmental services</i>		13,295	-	8,365	-	8,225	8,225	8,225	3,238	20,714	21,334
Planning and development		13,295	-	8,365	-	8,225	8,225	8,225	3,238	20,714	21,334
Road transport		-	-	-	-	-	-	-	-	-	-
Environmental protection		-	-	-	-	-	-	-	-	-	-
<i>Trading services</i>		-	10	-	-	-	-	-	-	-	-
Electricity		-	-	-	-	-	-	-	-	-	-
Water		-	-	-	-	-	-	-	-	-	-
Waste water management		-	10	-	-	-	-	-	-	-	-
Waste management		-	-	-	-	-	-	-	-	-	-
<i>Other</i>		-	-	-	-	-	-	-	-	-	-
Total Capital Expenditure - Standard	3	14,691	12,412	12,065	13,538	15,334	15,334	15,334	14,540	21,114	21,784
Funded by:											
National Government		14,691	24,412	11,915	12,188	12,188	12,188	12,188	13,902	14,441	14,897
Provincial Government		-	-	-	-	1,725	1,725	1,725	-	-	-
District Municipality		-	-	-	-	-	-	-	-	-	-
Other transfers and grants		-	-	-	-	-	-	-	-	-	-
Transfers recognised - capital	4	14,691	24,412	11,915	12,188	13,913	13,913	13,913	13,902	14,441	14,897
Public contributions & donations	5	-	-	-	-	-	-	-	-	-	-
Borrowing	6	-	-	-	-	-	-	-	-	-	-
Internally generated funds		-	-	150	1,350	1,422	1,422	1,422	638	6,673	6,887
Total Capital Funding	7	14,691	24,412	12,065	13,538	15,334	15,334	15,334	14,540	21,114	21,784

1.4.1.1 National and Provincial

For 2014/15 an amount of R14, 5m has been appropriated for the development of infrastructure assets. This refers to transfers from National Treasury for capital projects. The budget is R14, 5m including internal generated funds for 2014/15 financial year it has been Decreased compared to the Adjustment budget for 2013/14, its has been reduced by R884 000. The outer years has been increased to R21,1m and 21, 7m, This budget is for new projects, there is no budget for renewal of existing assets

1.4.1.2 Internal Funding

The internal funded capital budget has been approved is an amount of R638 000.00. this budget is for the acquiring assets like furniture, computer equipment and 1 new vehicle.

PART 2

2.1 Budget Financial Performance (revenue and expenditure)

Description	Ref	2010/11	2011/12	2012/13	Current Year 2013/14				2014/15 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
R thousand	1										
Revenue By Source											
Property rates	2	420	129	41	300	403	403	403	1,086	1,108	1,130
Property rates - penalties & collection charges		420	129	41	120	-	-	-	-	-	-
Service charges - electricity revenue	2	-	-	-	-	-	-	-	-	-	-
Service charges - water revenue	2	-	-	-	-	-	-	-	-	-	-
Service charges - sanitation revenue	2	-	-	-	-	-	-	-	-	-	-
Service charges - refuse revenue	2	660	259	345	289	21	21	21	43	45	48
Service charges - other		660	-	-	-	-	-	-	-	-	-
Rental of facilities and equipment		192	207	311	317	258	258	258	339	237	261
Interest earned - external investments		895	852	577	450	501	501	501	360	372	384
Interest earned - outstanding debtors		-	-	-	30	359	359	359	32	33	36
Dividends received		-	-	-	-	-	-	-	-	-	-
Fines		6,283	1,623	545	2,914	80	80	80	200	240	300
Licences and permits		275	282	176	2,364	539	539	539	2,051	2,405	2,549
Agency services		-	-	-	-	-	-	-	-	-	-
Transfers recognised - operational		67,068	65,595	48,634	44,260	44,260	44,260	44,260	49,802	64,896	66,144
Other revenue	2	276	1,010	172	1,562	6,563	6,563	6,563	53	57	57
Gains on disposal of PPE		-	-	-	-	5,800	5,800	5,800	2,150	150	150
Total Revenue (excluding capital transfers and contributions)		77,150	70,085	50,842	52,607	58,784	58,784	58,784	56,116	69,543	71,058
Expenditure By Type											
Employee related costs	2	14,061	13,675	16,513	21,302	18,501	18,501	18,501	25,343	26,894	28,620
Remuneration of councillors		(6,885)	3,642	3,756	4,756	4,756	4,756	4,756	5,307	5,684	5,957
Debt impairment	3	(89)	15	756	(324)	310	310	310	310	326	342
Depreciation & asset impairment	2	2,598	2,632	3,056	3,000	3,000	3,000	3,000	3,150	3,308	3,473
Finance charges		(91)	324	275	-	200	200	200	51	31	13
Bulk purchases	2	-	-	-	-	-	-	-	-	-	-
Other materials	8	-	541	775	30	650	650	650	1,150	1,049	1,099
Contracted services		2,632	708	1,074	890	2,837	2,837	2,837	1,402	14,404	13,228
Transfers and grants		-	694	9,610	9,250	15,395	15,395	15,395	8,500	12,600	12,700
Other expenditure	4, 5	15,575	41,758	15,033	9,887	10,079	10,079	10,079	10,304	9,807	10,319
Loss on disposal of PPE		-	-	-	-	-	-	-	-	-	-
Total Expenditure		27,801	63,988	50,847	48,791	55,727	55,727	55,727	55,516	74,102	75,753
Surplus/(Deficit)		49,348	6,097	(5)	3,816	3,057	3,057	3,057	600	(4,559)	(4,695)
Transfers recognised - capital		-	-	-	12,188	13,913	13,913	13,913	13,902	14,441	14,897
Contributions recognised - capital	6	-	-	-	-	-	-	-	-	-	-
Contributed assets		-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) after capital transfers & contributions		49,348	6,097	(5)	16,003	16,970	16,970	16,970	14,502	9,882	10,202
Taxation		-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) after taxation		49,348	6,097	(5)	16,003	16,970	16,970	16,970	14,502	9,882	10,202
Attributable to minorities		-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) attributable to municipality		49,348	6,097	(5)	16,003	16,970	16,970	16,970	14,502	9,882	10,202
Share of surplus/ (deficit) of associate	7	-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) for the year		49,348	6,097	(5)	16,003	16,970	16,970	16,970	14,502	9,882	10,202

The above table shows the consolidated financial performance for Hlabisa local municipality, its Revenue and Expenditure.

2.2 Councillors and employee benefits

Due to the number of positions filled in the 2013/2014 financial year, employee related costs have been adjusted upwards and the Municipality is above the National Treasury Threshold on

employee related costs which is between 25-40 percent. Currently the municipality employee related costs threshold is 46% of the total operating expenditure.

Summary of Employee and Councillor remuneration	Ref	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
R thousand		A	B	C	D	E	F	G	H	I
Councillors (Political Office Bearers plus Other)	1									
Basic Salaries and Wages			2,124	1,517	3,584	3,584	3,584	3,961	4,361	4,563
Pension and UIF Contributions										
Medical Aid Contributions										
Motor Vehicle Allowance					896	896	896	958	925	968
Cellphone Allowance					206	206	206	316	320	327
Housing Allowances										
Other benefits and allowances			1,518	2,239	70	70	70	71	78	99
Sub Total - Councillors		-	3,642	3,756	4,756	4,756	4,756	5,306	5,684	5,957
% increase	4		-	3.1%	26.6%	-	-	11.6%	7.1%	4.8%
Senior Managers of the Municipality	2									
Basic Salaries and Wages		1,705	1,485	1,232	1,859	1,756	1,756	2,791	3,041	3,191
Pension and UIF Contributions		104	34	146	23	18	18	54	61	66
Medical Aid Contributions										
Overtime										
Performance Bonus				4	434	-	-	337	422	430
Motor Vehicle Allowance	3	526	449	486	558	417	417	675	726	799
Cellphone Allowance	3			42	130	203	203	179	204	205
Housing Allowances	3			251	431	278	278	416	426	426
Other benefits and allowances	3	742	1,162	4	209	177	177	449	462	419
Payments in lieu of leave				59	-					
Long service awards										
Post-retirement benefit obligations	6									
Sub Total - Senior Managers of Municipality		3,076	3,130	2,225	3,644	2,849	2,849	4,903	5,341	5,536
% increase	4		1.8%	(28.9%)	63.8%	(21.8%)	-	72.1%	8.9%	3.6%
Other Municipal Staff										
Basic Salaries and Wages		8,485	9,014	10,991	11,451	10,532	10,532	14,222	15,222	15,546
Pension and UIF Contributions		986	833	1,081	1,530	1,174	1,174	1,945	1,845	2,245
Medical Aid Contributions		311	226	336	1,138	638	638	1,149	1,049	1,449
Overtime		1,001	855	824	1,098	663	663	650	884	1,034
Performance Bonus		573			-	663	663	-	-	-
Motor Vehicle Allowance	3	1,000			633	598	598	820	788	888
Cellphone Allowance	3	608	838	883	155	155	155	347	458	444
Housing Allowances	3	1,045	883	659	1,069	784	784	722	822	823
Other benefits and allowances	3	73	1,001	1,145	691	427	427	585	485	655
Payments in lieu of leave		(21)	24	595	-					
Long service awards										
Post-retirement benefit obligations	6									
Sub Total - Other Municipal Staff		14,061	13,675	16,513	17,766	15,634	15,634	20,441	21,553	23,084
% increase	4		(2.7%)	20.8%	7.6%	(12.0%)	-	30.7%	5.4%	7.1%
Total Parent Municipality		17,138	20,447	22,493	26,165	23,239	23,239	30,649	32,578	34,577
			19.3%	10.0%	16.3%	(11.2%)	-	31.9%	6.3%	6.1%

2.3 Financial Position

Description	Ref	2010/11	2011/12	2012/13	Current Year 2013/14				2014/15 Medium Term Revenue & Expenditure Framework		
R thousand		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
ASSETS											
Current assets											
Cash		10,377	8,674	6,872	56	6,207	6,207	6,207	233	7,102	1,200
Call investment deposits	1	-	-	-	28,788	12,066	12,066	12,066	7,408	7,627	7,978
Consumer debtors	1	432	598	1,219	614	614	614	614	389	495	443
Other debtors		13	89	(14)	2	2	2	2	1	2	2
Current portion of long-term receivables		2,624	1,134	-	1,134	1,134	1,134	1,134	1,911	1,500	1,820
Inventory	2	2	44	8	44	44	44	44	134	156	198
Total current assets		13,448	10,539	8,085	30,637	20,067	20,067	20,067	10,076	16,881	11,641
Non current assets											
Long-term receivables		-	-	-	-	-	-	-	-	-	-
Investments		-	-	-	-	-	-	-	-	-	-
Investment property		114	2,363	2,361	114	114	114	114	193	198	203
Investment in Associate		-	-	-	-	-	-	-	-	-	-
Property, plant and equipment	3	67,892	72,807	76,373	79,383	83,369	83,777	83,777	95,167	112,973	131,284
Agricultural		-	-	-	-	-	-	-	-	-	-
Biological		-	-	-	-	-	-	-	-	-	-
Intangible		746	668	495	671	671	671	671	723	-	-
Other non-current assets		14	14	1,197	14	14	14	14	4,487	-	-
Total non current assets		68,766	75,851	80,425	80,182	84,168	84,576	84,576	100,570	113,171	131,487
TOTAL ASSETS		82,214	86,390	88,511	110,819	104,235	104,643	104,643	110,646	130,052	143,128
LIABILITIES											
Current liabilities											
Bank overdraft	1	1,666	1,700	665	1,700	-	-	-	-	-	-
Borrowing	4	-	-	-	-	-	-	-	-	-	-
Consumer deposits		-	-	-	25	-	-	-	30	49	52
Trade and other payables	4	18,148	11,962	16,035	-	-	-	-	9,333	12,819	13,178
Provisions		-	-	-	836	836	836	836	857	601	468
Total current liabilities		19,814	13,662	16,699	2,561	836	836	836	10,220	13,469	13,698
Non current liabilities											
Borrowing		472	1,317	932	-	-	-	-	169	-	-
Provisions		-	-	-	-	-	-	-	-	-	-
Total non current liabilities		472	1,317	932	-	-	-	-	169	-	-
TOTAL LIABILITIES		20,287	14,978	17,632	2,561	836	836	836	10,389	13,469	13,698
NET ASSETS	5	61,928	71,412	70,879	108,258	103,399	103,807	103,807	100,257	116,583	129,430
COMMUNITY WEALTH/EQUITY											
Accumulated Surplus/(Deficit)		61,928	70,584	69,989	108,258	72,565	72,973	72,973	70,168	78,299	89,596
Reserves	4	-	-	-	-	30,834	30,834	30,834	30,089	38,284	39,834
Minorities' interests		-	-	-	-	-	-	-	-	-	-
TOTAL COMMUNITY WEALTH/EQUITY	5	61,928	70,584	69,989	108,258	103,399	103,807	103,807	100,257	116,583	129,430

The above table indicates the assets, liabilities and equity of Hlabisa Municipality for the Financial year 2014/15. The item on non-current liabilities Borrowings has an amount of R169 000.00, this amount is an capital amount of machines that the municipality has leased. The amount of R7, 4m its unspent housing grant that has been invested since year 2005.

2.4 Cash backed reserved/Accumulated Surplus Reconciliation

KZN274 Hlabisa - Table A8 Cash backed reserves/accumulated surplus reconciliation

KZN274 Table A: Cash backed reserves/accumulated surplus reconciliation									2014/15 Medium Term Revenue & Expenditure Framework		
Description	Ref	2010/11	2011/12	2012/13	Current Year 2013/14				Budget Year	Budget Year	Budget Year
R thousand		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	2014/15	+1 2015/16	+2 2016/17
Cash and investments available											
Cash/cash equivalents at the year end	1	255,778	177,748	123,807	(13,221)	12,734	3,358	3,358	7,944	8,067	8,913
Other current investments > 90 days		(247,067)	(170,774)	(117,600)	40,364	5,540	14,916	14,916	390	6,662	265
Non current assets - Investments	1	-	-	-	-	-	-	-	-	-	-
Cash and investments available:		8,711	6,974	6,207	27,143	18,274	18,274	18,274	8,333	14,729	9,178
Application of cash and investments											
Unspent conditional transfers		10,281	10,250	11,649	-	-	-	-	7,408	7,627	7,978
Unspent borrowing		-	-	-	-	-	-	-	-	-	-
Statutory requirements	2	-	-	-	-	-	-	-	-	-	-
Other working capital requirements	3	7,399	11	(2,669)	(296)	(418)	(418)	(418)	1,629	4,898	4,913
Other provisions		-	-	-	-	-	-	-	-	-	-
Long term investments committed	4	-	-	-	-	-	-	-	-	-	-
Reserves to be backed by cash/investments	5	-	-	-	-	-	-	-	-	-	-
Total Application of cash and investments:		17,679	10,261	8,980	(296)	(418)	(418)	(418)	9,037	12,524	12,891
Surplus(shortfall)		(8,969)	(3,287)	(2,773)	27,439	18,692	18,692	18,692	(704)	2,205	(3,713)
References											

References

The amount of R7, 4m for 2014/15 budget is budgeted, the reason for that it's because but there is a housing grant which sitting on our investment since year 2005 and we investigated about it from Department of Human Settlement it seems there is no intention to allow the municipality to spend that money from the department of Human Settlement. This funding was for disaster programmes.

2.5 Cash Flow Statement

Description	Ref	2010/11	2011/12	2012/13	Current Year 2013/14				2014/15 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
R thousand											
CASH FLOW FROM OPERATING ACTIVITIES											
Receipts											
Ratepayers and other		9,667	9,007	9,549	3,796	5,580	5,580	5,580	3,257	2,278	2,648
Government - operating	1	39,265	-	-	44,260	-	-	-	49,802	64,896	66,144
Government - capital	1	278,063	-	-	12,188	716	716	716	13,902	14,441	14,897
Interest		895	852	577	450	287	287	287	360	223	250
Dividends		-	-	-	-	-	-	-	-	-	-
Payments											
Suppliers and employees		(36,817)	(20,835)	(26,151)	(37,589)	(2,060)	(2,060)	(2,060)	(44,466)	(54,432)	(55,230)
Finance charges		-	-	-	-	(200)	(200)	(200)	(51)	(31)	(13)
Transfers and Grants	1	(19,517)	(56,299)	(23,358)	(9,250)	(6,035)	(6,035)	(6,035)	(8,500)	(12,600)	(12,700)
NET CASH FROM/(USED) OPERATING ACTIVITIES		271,556	(67,275)	(39,383)	13,855	(1,713)	(1,713)	(1,713)	14,305	14,775	15,995
CASH FLOWS FROM INVESTING ACTIVITIES											
Receipts											
Proceeds on disposal of PPE		(14,959)	(10,754)	(14,558)	-	-	-	-	-	-	-
Decrease (Increase) in non-current debtors		-	-	-	-	-	-	-	-	-	-
Decrease (increase) other non-current receivables		(850)	-	-	-	-	-	-	-	-	-
Decrease (increase) in non-current investments		-	-	-	-	-	-	-	-	-	-
Payments											
Capital assets		-	-	-	(13,538)	(1,081)	(1,081)	(1,081)	(13,902)	(14,441)	(14,897)
NET CASH FROM/(USED) INVESTING ACTIVITIES		(15,809)	(10,754)	(14,558)	(13,538)	(1,081)	(1,081)	(1,081)	(13,902)	(14,441)	(14,897)
CASH FLOWS FROM FINANCING ACTIVITIES											
Receipts											
Short term loans		-	-	-	-	-	-	-	-	-	-
Borrowing long term/refinancing		30	-	-	-	-	-	-	-	-	-
Increase (decrease) in consumer deposits		-	-	-	-	-	-	-	-	-	-
Payments											
Repayment of borrowing		-	-	-	-	-	-	-	(169)	(242)	(266)
NET CASH FROM/(USED) FINANCING ACTIVITIES		30	-	-	-	-	-	-	(169)	(242)	(266)
NET INCREASE/ (DECREASE) IN CASH HELD		255,778	(78,030)	(53,941)	317	(2,794)	(2,794)	(2,794)	233	92	832
Cash/cash equivalents at the year begin:	2		255,778	177,748	(13,538)	6,151	6,151	6,151	-	233	325
Cash/cash equivalents at the year end:	2	255,778	177,748	123,807	(13,221)	3,358	3,358	3,358	233	325	1,157

The above table shows the expected level of cash in-flow versus cash out-flow that is likely to result from the implementation of the budget. The approved 2013/14 Adjustment budget provide for further net decrease in cash of R2,7m for the 2013/14 financial year resulting in an overall projected positive cash position of R233 000, at year end.

3. Recommendations

It is recommended

- That the 2014/2015 Final budget be approved and adopted by Council in the prescribed framework i.e. A1 Schedule.